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A Review of the Preliminary Draft of Introduction and Summary of the
"Piquet Report"

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1. The primary misleading point of the "Piquet Report" is the impression left with the reader that the Free World economies are growing faster than the Soviet Bloc economies and the economy of the United States is growing faster than that of the Soviet Union. The point is made on the first page of the introduction and in sections II and III (page 10) of the summary. This conclusion is based on a comparison of 1938-1953 rates of growth (see below) and is not borne out by postwar rates of growth. This misleading comparison combined with the use of derogatory adjectives results in a serious understatement of the relative economic prospects of the Soviet Bloc.

2. Loaded words are frequently used in discussing specific or general aspects of the Soviet or Soviet Bloc economies. Continuous reference to "primitive economy," "forced labor," derogatory adjectives to modify Soviet or Bloc production which is equal to or greater than that of the West creates a wholly inaccurate overall view of the respective economies which cannot be supported in detail from the content of the paper. Even were this material to be used for propaganda purposes rather than to inform persons who may be called upon to make significant decisions based upon its content, it should be substantially modified.

3. Reference to rates of growth based upon 1953/1938 comparison of the Soviet Bloc and the West is certain to be misleading in any analysis of the probable future pattern of growth. Existence of widespread depression in the West and Eastern Europe in 1938 and great differences in the magnitude of war damage over all of the subject areas create growth patterns which are (a) completely non-comparable and (b) completely insupportable for extrapolation.

Analysis of growth rates prior to 1953/1948, will inevitably lead to a grave distortion of present and probable future trends.

4. The following comments are based upon a more detailed analysis of the presentation as opposed to the general application of paragraphs one, two and three above.

5. Intro. para. 2, page 1.

The conflict is one between production in which the individual and the group may exercise a direct influence upon production by his choices in the market and production in which the individual and the group have no influence over the basic production decisions.

6. Intro. para. 2, page 4.

Certainly Asia could not be considered a drain upon either the Soviet or the Western economies any more than investment can be considered a drain upon an economy.

7. Intro. para. 3, page 6.

Any economy faces serious problems in conversion of the economy from peaceful to wartime activity, the Soviet economy has planned a good deal of its industrial capacity in such a way as to reduce the friction of this transfer, and in recent years the US has followed a similar pattern.

8. Summary I, para. 1.

Postwar comparisons yield a different result from those of the prewar period because of war losses.

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9. Summary I, para. 2.

Agriculture is a limiting factor only if one assumes that the USSR will insist upon internal Soviet production to meet the internal requirements for agricultural products. It may be noted that Western Europe would be faced with an immediate crisis if the same assumption were imposed upon that area.

10. Summary I, para. 5, p. 9.

The assumption that atomic power would be low cost and available to one of the two areas but not the other is so unlikely of realization that the statement would appear to be meaningless.

11. Summary I, para. 6, page 9.

The planning organizations have attempted to reconcile the deficiency here indicated. Although we would agree that the problem of distance continues to pose a limitation upon the speed of Soviet growth, the plan has done more to ameliorate the situation than to aggravate it. It should be recognized that markets as well as resources tend to move through time. The reference to primitive economy should be dropped or explained.

12. Part II, page 10.

Growth rates for 1953/1948 should be indicated as well for reasons cited above.

13. Part III, page 10.

As Part II above except that the problem posed by the two period analysis is considerably more acute.

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14. Part IV, page 11.

This comment and indeed the other material in this report dealing with the captive countries of Eastern Europe fails to comprehend the composition of these countries some of which are agricultural surplus areas and some of which are agricultural deficit areas. These countries can seldom be categorized in a single treatment except in the instance of certain institutional similarities.

15. Part V, para. 2, page 11.

Any careful perusal of Voznesensky's work on the Soviet economy in World War II would almost certainly dissuade the authors of the position taken here.

16. Part V, para. 3, page 11.

The apparent position indicated in this paragraph seems to us to be well taken, however the reference to a "primitive" organization is misleading.

17. Part V, para. 4, page 12.

The statement should specify what kinds of goods are shoddy. It is certainly not true of capital goods and military end-items.

18. Mannpower Table.

Average annual increase in Soviet population (1948-52) is too low, the average crude rate of natural increase in the USSR is about equal to that given for the US, which is considerably higher than the Bureau of Census estimate of the rate for this period for the US (about 1.5 percent). The Soviet labor force estimate for 1953 is too high for any labor force combination we can estimate including military forces. The statement that Soviet 1953 man-hour output equalled 1939 is wrong. Use of the labor and national product figures

in the tables of the report will show a substantial increase for 1953 over 1939. Some calculations with these figures will also show that productivity in the USSR has grown more rapidly than in the US for 1948-1953. It should be noted that there remains considerable doubt that the Soviet definition of trained scientists and engineers is identical with the use of these terms in the US. This problem of definition has never been mentioned in this paper to say nothing of the fact that it has not been evaluated. The 1970 estimate of Soviet population is too low, 282-288 would be a closer approximation, a corresponding revision in the age classes would have to be added. This table contains the same sort of loading as the paper proper, reference to 7 day work weeks, reshuffling of dates employed to present data from various countries to present only two of the flagrant cases.

19. Agriculture and Food Supply Table.

This presentation is excellent in general, the last paragraph in the sideline comment might somehow be squared with the first and the assumptions of the last paragraph might be tried on the Communist world.

20. Raw Materials Table.

The picture on raw materials is loaded in favor of the US and Western Europe by allowing them substantial import possibilities while not allowing the same for the Soviet Bloc.

21. Steel Table.

Presentation is excellent. We question the statement that frequent replacement may retard rate of growth. Existing utilization rate is high and will remain high. We think that investment rate will maintain existing capacity

and meet planned rates of increase, however.

22. Power Table.

Statements dealing with the effect of atomic power on economic development are inadequate. It may be noted that Soviet hydro capacity is much more unfavorably located viz a viz consuming regions than are new petroleum¹ producing localities.

23. Transportation Table.

Greatest difficulty with Soviet transport has been the relatively small investment allocation to the transport sector. The USSR is² continental economy and depends upon rail and road transport, both of which require tremendous investment outlays to secure even modest increases in transport capacity. Ton mileage estimates are available in Holland Hunter's work and very recently in the Soviet press.

24. National Accounts Table.

Soviet GNP estimate is somewhat low, probably because of failure to include an accounting for institutional differences between the USSR and other areas. The Captive Europe estimate, however, is very close. The ratio of agriculture to industry seems gravely distorted for the USSR and Poland, probably a result of the difficulty of treatment of the institutional factors indicated above. Breakdown of end-uses by market prices in some countries and factor costs in others leads to a considerable distortion of these uses, a distortion that is usually far greater than the price or conversion ratios employed in the adjustment.

25. The basic objection lies in the slant of the writing not in the research behind the paper. This bias manifests itself in the selection of the time period under consideration (1938-53) and the selection of adjectives describing the economy of the East as opposed to that of the West. It is recommended that this paper not be published in its present form for any purpose. The objections outlined above should be corrected before publication of this report.